

Welcome address

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My name is Hideki Murai and I am parliamentary vice-minister for financial services. Thank you very much for attending this Fintech conference.

It is my great honor and pleasure to have this opportunity to deliver the welcome address.

At the Fintech Conference today, co-hosted by the Regional Office for Asia and the Pacific of the IMF, the Financial Services Agency and the Bank of Japan, I understand that the topics of the discussion will be the following:

First, the frontier of Fintech development on a global scale particularly in Asia;

Second, facilitation of financial services through application of Fintech including financial inclusion; and

Finally, risks and regulatory challenges associated with Fintech.

The various innovations in the financial sector, brought by new information and communication technologies, are providing us with new opportunities and growth potential in the sector.

Under the Japanese government's growth strategy 2017, Japan is seeking to realize "Society 5.0," where social challenges are solved by applying emerging innovations of the fourth industrial revolution into all industries and social life. These innovations include IoT, big data, AI and the sharing economy. "Fintech," the main theme of the conference today, is positioned as one of the strategic areas to realize Society 5.0.

In 2020, Japan will host the Olympics and Paralympics in Tokyo, which will draw keen attention from all over the world. I believe that it is important to seize this opportunity to demonstrate Japan's Fintech initiatives for the realization of Society 5.0 to the world.

The Financial Services Agency, or FSA, is undertaking a number of initiatives for the FinTech innovation.

Last year, through the revision in the Banking Act, the FSA promoted open innovation where financial institutions and Fintech companies cooperate and collaborate for their growth. Under this initiative with Open API as the core item, cooperation between Fintech companies and banks is expected to broaden.

Moreover, due to the rise of blockchain technologies, financial networks may be transformed from the previous network style in which transactions were carried out by mainly financial institutions, to a more distributed one where customers have transactions directly with each other.

There are efforts to commercialize and apply blockchain technologies in various areas. The FSA sees it necessary to lay a foundation where customer-oriented service providers can fully realize their potential. In order to support their challenges to create new innovations, at the FinTech summit 2017 held in Tokyo last year, I announced the launch of the “Fintech Proof of Concept Hub” to promote cooperation and collaboration among interested parties.

Given recent developments including the progress of information technology, there are some concerns that the existing entity-based regulatory framework may become an obstacle to the launch of cross-sectional businesses.

The Financial System Council is considering transforming the existing sector-based regulatory framework into a functional and cross-sectoral one with a view to applying the same regulations in line with the functions and risks, while balancing the promotion of innovation and adequate protection of users.

Furthermore, Fintech would promote the globalization of overall financial activities. Let me emphasize the importance of international cooperation and coordination among regulators.

In order to strengthen the FSA's international network, the FSA has launched a platform for multilateral joint research with regulators, central banks and universities around the world. Through these initiatives, the FSA is taking swift responses to the environmental changes associated with the progress in Fintech.

Recently, in addition to money laundering and terrorist financing issues, there are risks arising for users, including IT risks of virtual currency exchange service providers and fraudulent schemes in initial coin offerings.

Under these circumstances, while we need to acknowledge the potential new opportunities for our society emerging from crypto-assets and the technologies supporting them, such as distributed ledger technology, financial regulators face a difficult challenge to appropriately manage any risks stemming from their usage. We certainly have to address this challenge.

At the recent G20 meeting, it was acknowledged that technological innovation, including that underlying crypto-assets, has the potential to improve

the efficiency and inclusiveness of the financial system and the economy more broadly. At the same time, international standard-setting bodies were called on to continue their monitoring of crypto-assets and the variety of risks associated with them.

Financial transactions through blockchain technology among distributed trading entities can cross national borders quite easily. Going forward, in addition to closer international cooperation in the regulatory field, active exchanges of views among experts and the private sector are essential.

I think today's conference has great significance because important and influential experts are gathered from around the world, particularly from Asia, to actively discuss this timely agenda.

To close my remarks, I would like to express my heartfelt gratitude for your participation today.

Thank you very much for your attention.

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